

JOHANNESBURG-LEWISTON AREA SCHOOLS
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

**JOHANNESBURG-LEWISTON AREA SCHOOLS
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INDEPENDENT AUDITOR'S REPORT

October 8, 2008

Board of Education
Johannesburg-Lewiston Area Schools
Johannesburg, Michigan 49751

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Johannesburg-Lewiston Area Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Johannesburg-Lewiston Area Schools' management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Johannesburg-Lewiston Area Schools, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated October 8, 2008 on my consideration of Johannesburg-Lewiston Area Schools' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and is important for assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and pages 23 through 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Johannesburg-Lewiston Area Schools' basic financial statements. The introductory section, and combining non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied by me in the audit of the basic financial statements and, in my opinion, based on my audit are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in dark ink, appearing to read "T. Zick, CPA, P.C.", is positioned above the printed name.

THOMAS R. ZICK CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

JOHANNESBURG-LEWISTON AREA SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management discussion and analysis, a requirement of GASB 34, is intended to be the Johannesburg-Lewiston Area Schools District ("the District") Management's discussion and analysis of the financial results for the year ended June 30, 2008. The intent of this discussion and analysis is to provide a look at the district's performance and current position. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the district's financial performance.

FINANCIAL HIGHLIGHTS

The overall financial condition of the district remains strong. All goals related to financial activities have been met in the past year. If current revenue and expenditure patterns can be maintained, the resources for the following year will be available.

The assets of the Johannesburg-Lewiston Area Schools District exceeded its liabilities at the close of the most recent fiscal year by \$5,164,139 (net assets).

The district's total net assets increased by \$780,721 in the 2007/08 school year.

At the end of the current fiscal year, the fund balance for the District's General Fund is \$887,600.

USING THE ANNUAL REPORT

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole (government-wide statements), and then proceed to provide an increasingly detailed look at specific financial statements (fund financial statements). Also included are various notes to the financial statements. The audit also contains supplemental information in addition to the basic financial statements.

Reporting the District as a Whole – The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the district as a whole and about its activities in a manner to help address this question. These statements include all assets and liabilities of the District using the accrual basis of accounting similar to the accounting used by the private sector. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The two statements report the District's net assets and any changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions on a State level, student enrollment growth, quality of local service, and facility improvements prior to arriving at any conclusion regarding the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the district as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". The two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Funds

Most of the District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental funds is reconciled in the basic financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the District's net assets as of June 30, 2008 and June 30, 2007.

TABLE 1 Governmental Activities

<u>Assets</u>	<u>06/30/08</u>	<u>06/30/07</u>
Current Assets	\$ 1,965,258	\$ 866,350
Noncurrent Assets - Capital	9,676,088	10,017,878
Total Assets	<u>11,641,346</u>	<u>10,884,228</u>
<u>Liabilities</u>		
Current Liabilities	752,643	117,221
Noncurrent Liabilities	5,724,564	6,383,589
Total Liabilities	<u>6,477,207</u>	<u>6,500,810</u>
<u>Net Assets</u>		
Invested in Capital Assets - Net of Debt	4,131,088	3,882,878
Restricted	357,122	121,920
Unrestricted	675,929	378,620
Total Net Assets	<u>\$ 5,164,139</u>	<u>\$ 4,383,418</u>

The District currently reports positive balances in each category of net assets.

The results of this year's operations for the District as a whole are represented in a statement of activities (Table 2), which shows the changes in net assets for the fiscal year 2008 and fiscal year 2007.

TABLE 2 Governmental Activities

	<u>06/30/08</u>	<u>06/30/07</u>
Program Revenues		
Charges for services	\$ 134,283	\$ 136,584
Operating grants and contributions	892,474	861,385
General Revenues		
Property taxes	6,119,538	5,947,578
State School Aid	1,703,905	1,831,186
Other	210,747	163,078
Total Revenues	<u>9,060,947</u>	<u>8,939,811</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	<u>06/30/08</u>	<u>06/30/07</u>
Functions/Program Expenses		
Instruction	4,529,053	4,553,746
Supporting services	2,987,341	3,045,781
Athletics & food services	552,049	517,482
Transfers and other	<u>211,783</u>	<u>236,919</u>
Total Expenses	<u>8,280,226</u>	<u>8,353,928</u>
Change in Net Assets	<u>\$ 780,721</u>	<u>\$ 585,883</u>

As reported in the statement of activities the cost of all governmental activities for the year was \$8,280,226 while \$6,119,538 in revenue was generated directly from local taxpayers, another \$134,283 was generated through "charges for actual services" to local districts, or individuals that benefited directly from our services. State, federal, other regional grants and programs brought \$892,474 to the district. The district received \$1,703,905 in state education funding and just over \$210,747 in other miscellaneous sources, inclusive of investment earnings. Net assets for the year ending June 30, 2008 increased by \$780,721.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The District's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. During the fiscal year of 2007/08 the District amended the budgets of these major governmental funds twice. This has been the normal business practice of the district. Due to the timing of grant awards and pupil counts, the general fund budget could change significantly from the beginning to the end of the year. Budget amendments for 2007/08 were minor.

General Fund

The General Fund revenues exceeded expenditures in the past year of operations by \$341,790. The District has evaluated expenditures in all operational areas in order to make budgetary cuts if necessary.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's assets have accumulated \$7,965,701 of depreciation. Our capitalized assets include our buildings, land, equipment and transportation fleet. This year saw a \$341,790 decrease in Net Capital Assets. A categorized listing of the assets is below.

TABLE 3 Governmental Activities

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ 6,253	\$ -	\$ -	\$ 6,253
Capital assets being depreciated:				
Land improvements	778,237	-	-	778,237
Building and building improvements	14,361,657	-	-	14,361,657
Buses and other vehicles	757,000	70,122	49,383	777,739
Furniture and equipment	<u>1,837,039</u>	<u>21,436</u>	<u>140,572</u>	<u>1,717,903</u>
Subtotal	<u>17,733,933</u>	<u>91,558</u>	<u>189,955</u>	<u>17,635,536</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Accumulated depreciation:

Land improvements	353,342	34,510	-	387,852
Building and building improvements	5,281,047	294,893	-	5,575,940
Buses and other vehicles	521,795	52,204	49,383	524,616
Furniture and equipment	<u>1,566,124</u>	<u>51,741</u>	<u>140,572</u>	<u>1,477,293</u>
Subtotal	<u>7,722,308</u>	<u>433,348</u>	<u>189,955</u>	<u>7,965,701</u>
Net capital assets being depreciated	<u>10,011,625</u>	<u>(341,790)</u>	<u>-</u>	<u>9,669,835</u>
Net governmental capital assets	<u>\$ 10,017,878</u>	<u>\$ (341,790)</u>	<u>\$ -</u>	<u>\$ 9,676,088</u>

Long Term Debt

The District owes \$5,634,291 on debt that will be paid over the next eight years. This is a decrease in outstanding debt of \$590,000 or 9.5%. More detail is shown on pages 20-21 in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economy of the State of Michigan has dramatically slowed and forecasts project shortages in both the State's General Fund and the School Aid Fund for the upcoming year. The exact implications the shortages will have on the District are unknown. Our budgets were prepared with these factors in mind. We also are dependent on student counts which vary from year to year, for our foundation allowance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Johannesburg-Lewiston Area Schools District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Superintendent, Johannesburg-Lewiston Area Schools, 10854 M-32, Johannesburg, MI 49751 –
Phone 989-732-1773

JOHANNESBURG-LEWISTON AREA SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
ASSETS	
Cash demand and time deposits	\$ 1,576,074
Receivables	
Other governments	382,981
Taxes	2,116
Accounts	203
Inventory	3,884
Capital assets	
Land	6,253
Other capital assets, net of depreciation	<u>9,669,835</u>
 TOTAL ASSETS	 <u>11,641,346</u>
 LIABILITIES	
Account payable	6,803
Accrued liabilities	96,711
Deferred revenue	5,923
Due to other governments	643,206
Noncurrent liabilities:	
Due within one year	655,000
Due in more than one year	<u>5,069,564</u>
 TOTAL LIABILITIES	 <u>6,477,207</u>
 NET ASSETS	
Invested in capital assets, net of related debt	4,131,088
Restricted for:	
Debt Service	357,122
Unrestricted	<u>675,929</u>
 TOTAL NET ASSETS	 <u>\$ 5,164,139</u>

See Notes to Financial Statements

JOHANNESBURG-LEWISTON AREA SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary Government				
Governmental Activities				
Instruction	\$ 4,529,053	\$ -	\$ 367,547	\$ (4,161,506)
Support Services	2,987,341	-	268,607	(2,718,734)
Athletics	165,313	34,939	-	(130,374)
Food Service	386,736	99,344	256,320	(31,072)
Interest on Debt	<u>211,783</u>	<u>-</u>	<u>-</u>	<u>(211,783)</u>
 Total Governmental Activities	 <u>\$ 8,280,226</u>	 <u>\$ 134,283</u>	 <u>\$ 892,474</u>	 <u>(7,253,469)</u>
 General revenues:				
Taxes:				
Property taxes levied for general purposes				4,913,193
Property taxes, levied for debt services				1,023,546
Property taxes, levied for special education through ESD				182,799
State aid not restricted to specific purposes				1,703,905
Interest, investment, and royalty earnings				124,462
Other				<u>86,285</u>
 Total general revenues, contributions and transfers				 <u>8,034,190</u>
 Change in net assets				 780,721
Net assets, beginning of year				<u>4,383,418</u>
Net assets, end of year				\$ 5,164,139

See Notes to Financial Statements

JOHANNESBURG-LEWISTON AREA SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	GENERAL FUND	2004 REFUNDING BONDS	OTHER FUNDS	TOTAL
ASSETS				
Cash	\$ 1,215,935	\$ 356,484	\$ 3,655	\$ 1,576,074
Receivables				
Taxes	1,478	638	-	2,116
Accounts	203	-	-	203
Inventory	-	-	3,884	3,884
Due From Other Funds	8,887	-	-	8,887
Due From Other Governmental Units	<u>380,532</u>	<u>-</u>	<u>2,449</u>	<u>382,981</u>
 TOTAL ASSETS	 <u>\$ 1,607,035</u>	 <u>\$ 357,122</u>	 <u>\$ 9,988</u>	 <u>\$ 1,974,145</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 6,803	\$ -	\$ -	\$ 6,803
Accrued Liabilities	63,503	-	-	63,503
Due to Other Funds	-	-	8,887	8,887
Due to Other Governments	643,206	-	-	643,206
Deferred Revenue	<u>5,923</u>	<u>-</u>	<u>-</u>	<u>5,923</u>
 TOTAL LIABILITIES	 <u>719,435</u>	 <u>-</u>	 <u>8,887</u>	 <u>728,322</u>
FUND BALANCES				
Reserved	-	357,122	-	357,122
Unreserved	<u>887,600</u>	<u>-</u>	<u>1,101</u>	<u>888,701</u>
 TOTAL FUND BALANCES	 <u>887,600</u>	 <u>357,122</u>	 <u>1,101</u>	 <u>1,245,823</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 1,607,035</u>	 <u>\$ 357,122</u>	 <u>\$ 9,988</u>	 <u>\$ 1,974,145</u>

See Notes to Financial Statements

JOHANNESBURG-LEWISTON AREA SCHOOLS
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
FOR THE YEAR ENDED JUNE 30, 2008

Fund Balances - Total Governmental Funds	\$ 1,245,823
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital Assets - at Cost	17,641,789
Accumulated Depreciation	(7,965,701)
Certain liabilities such as bonds and notes payable are not due and payable in the current period and therefore are not reported in the governmental funds	
Bonds payable	(5,634,291)
Retirement incentive payable	(45,000)
Compensated absences payable	(45,273)
Accrued interest payable is not included as a liability in governmental funds	<u>(33,208)</u>
Net Assets of Governmental Activities	<u>\$ 5,164,139</u>

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	GENERAL	2004 REFUNDING	OTHER	
	FUND	BONDS	FUNDS	TOTAL
REVENUES				
Local Sources	\$ 5,095,992	\$ 1,023,546	\$ 134,283	\$ 6,253,821
State Sources	2,054,671	-	11,217	2,065,888
Federal Sources	285,388	-	245,103	530,491
Interest Income	107,912	15,897	653	124,462
Other Revenue	86,285	-	-	86,285
TOTAL REVENUES	<u>7,630,248</u>	<u>1,039,443</u>	<u>391,256</u>	<u>9,060,947</u>
EXPENDITURES				
Current				
Instruction	4,399,252	-	-	4,399,252
Supporting Services	2,752,819	-	-	2,752,819
Athletic Events	-	-	165,313	165,313
Food Services	-	-	386,736	386,736
Capital Outlay	91,558	-	-	91,558
Debt Service:				
Principal	-	590,000	-	590,000
Interest and Other Charges	-	214,241	-	214,241
TOTAL EXPENDITURES	<u>7,243,629</u>	<u>804,241</u>	<u>552,049</u>	<u>8,599,919</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>386,619</u>	<u>235,202</u>	<u>(160,793)</u>	<u>461,028</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	157,962	157,962
Transfers (Out)	(157,962)	-	-	(157,962)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(157,962)</u>	<u>-</u>	<u>157,962</u>	<u>-</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	228,657	235,202	(2,831)	461,028
FUND BALANCES, BEGINNING OF YEAR	<u>658,943</u>	<u>121,920</u>	<u>3,932</u>	<u>784,795</u>
FUND BALANCES, END OF YEAR	<u>\$ 887,600</u>	<u>\$ 357,122</u>	<u>\$ 1,101</u>	<u>\$ 1,245,823</u>

See Notes to Financial Statements

JOHANNESBURG-LEWISTON AREA SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
FOR THE YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	461,028
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - Capital Outlay		91,558
Deduct - Depreciation Expense		(433,348)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - Principal Payments on Long-term Liabilities		590,000
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Accrued interest , compensated absences, and retirement incentive payable do not require the use of current financial resources and therefore are not reported as expenditures in the fund statements

Add - Decrease in retirement incentive payable		75,000
Add - Decrease in accrued interest payable on bonds		2,458
Less - Increase in compensated absences		(5,975)

Change in Net Assets of Governmental Activities	\$	<u>780,721</u>
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See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS
STATEMENT OF FIDUCIARY FUND NET ASSETS
AGENCY FUNDS
JUNE 30, 2008**

ASSETS

Cash	\$ 118,733
TOTAL ASSETS	<u>\$ 118,733</u>

LIABILITIES

Due to Student Groups	\$ 118,733
TOTAL LIABILITIES	<u>\$ 118,733</u>

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Johannesburg-Lewiston Area Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District.

REPORTING ENTITY

The school district is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

District-Wide Financial Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

JOHANNESBURG-LEWISTON AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the District.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

2004 Refunding Bonds Debt Retirement Fund – The 2004 Refunding Bonds Debt Retirement Fund is used to record tax, interest, and other revenue for the payment of general long-term debt principal, interest, and related costs.

Additionally, the District reports the following non-major governmental types:

Special Revenue Funds - Special Revenue Funds are governmental funds used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The District's Special Revenue Funds include the Food Service and Athletics Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

The Durant Debt Fund is also a non-major funds operated by the school district.

Fiduciary Funds – The School District maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments – Cash and investments include cash on hand, demand deposits, and savings accounts.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

JOHANNESBURG-LEWISTON AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 of the following year. These taxes are due on September 14 with the final collection date of February 28 of the following year before they are added to the county delinquent tax rolls. The County operates a delinquent tax revolving fund and normally pays to the District all current taxes annually prior to June 30.

Restricted Assets – The fund balance in the debt service fund is shown as a restricted fund balance. This balance can only be used to service the debt.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings, building additions, and land improvements	10-50 years
Buses and other vehicles	7-15 years
Furniture and other equipment	2-15 years

Long-Term Obligations – In the district-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change – Effective July 1, 2003, the School district implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34) along with all related statements and interpretations.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the general and special revenue funds. All annual appropriations lapse at the fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year.

**JOHANNESBURG-LEWISTON AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Excess Expenditures Over Appropriations in Budgeted Funds - The School District is required under Public Act 621 of 1978 to adopt (pass) a budget (General Appropriations Act) for the General Fund and Individual Special Revenue Funds. The District complied in all areas except the following expenditure areas which exceeded budgeted amounts:

<u>Fund/Function</u>	<u>Total Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund			
Instruction	\$ 4,342,791	\$ 4,399,252	\$ (56,461)
Transfers Out	\$ 122,692	\$ 157,962	\$ (35,270)
Special Revenue Fund:			
Athletics	\$ 137,329	\$ 165,313	\$ (27,984)
Food Service	\$ 365,000	\$ 386,736	\$ (21,736)

The General Fund spent \$12,415 more than budgeted in total.

The Food Service budget was not approved until September 11, 2007 and the Athletic Fund budget was not approved until October 9, 2007. Both should have been approved prior to expending funds and violates Public Act 621.

NOTE 3 - CASH AND INVESTMENTS

The captions on the combined balance sheet related to cash and investments are as follows:

	<u>Imprest Cash</u>	<u>Cash/checking and Savings</u>	<u>Investments</u>	<u>Total</u>
Governmental Activities	\$ 210	\$ 451,923	\$ 1,123,941	\$ 1,576,074
Agency Funds	-	118,733	-0-	118,733
	<u>\$ 210</u>	<u>\$ 570,656</u>	<u>\$ 563,490</u>	<u>\$ 1,694,807</u>

Deposits - At year-end, the carrying amount of the District's deposits was \$563,280 and the balance was classified as to risk as follows.

Insured	\$ 410,834
Uninsured – Uncollateralized	159,822
	<u>\$ 570,656</u>

The \$1,123,941 in investments is held in the National City non-FDIC Automated Funds Manager Sweep account which is uninsured.

Investments – Act 217, PA 1982, authorized the School District to deposit and invest in the following:

- a. Bonds, bills, and other direct obligations of the United States or its agencies.
- b. Certificates of deposit and other savings instruments issued by a federally insured bank, savings and loan or credit union maintaining an office in Michigan.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

**JOHANNESBURG-LEWISTON AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

- d. Mutual Funds comprised of investments which are legal for direct investment by local units of government in Michigan.
- e. U.S. Government or federal agency obligation repurchase agreements.

The Board of Education is authorized to designate depositories for District funds, and the funds are invested in accordance with State of Michigan statutory authority

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). There were no investments at June 30, 2008.

Interest Rate Risk

The School District has not adopted a policy that indicates how the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time. There were no investments at June 30, 2008.

Concentration of Credit Risk

The School District has not adopted a policy that indicates how the District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. There were no investments at June 30, 2008.

Custodial Credit Risk

The School District has not adopted a policy that indicates how the District will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments of collateral securities that are in possession of an outside party. There were no investments at June 30, 2008.

NOTE 4 – RECEIVABLES

Receivables as of year-end for the School District's individual major funds and the other nonmajor governmental funds are as follows:

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Receivables			
Taxes	\$ 1,478	\$ 638	\$ 2,116
Accounts	203	-0-	203
State of Michigan	<u>380,532</u>	<u>2,449</u>	<u>382,981</u>
Net Receivables	<u>\$ 382,213</u>	<u>3,087</u>	<u>\$ 385,300</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consists of grant and categorical aid payments received prior to meeting all eligibility requirements and other items totaling \$7,793.

**JOHANNESBURG-LEWISTON AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	
General Fund	<u>\$ 8,887</u>	Food Service Fund	<u>\$ 8,883</u>
		Athletic Fund	<u>\$ 4</u>

The balance is expected to be repaid within one year.

<u>Transfers In/Out</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Total</u>
General Fund	\$ -0-	\$ (157,962)	\$ (157,962)
Special Revenue:			
Food Service Fund	28,270	-0-	28,270
Athletics	<u>129,692</u>	<u>-0-</u>	<u>129,692</u>
Total	<u>\$ 157,962</u>	<u>\$ (157,962)</u>	<u>\$ -0-</u>

Transfers between funds are all normal recurring transfers needed to transfer funds from revenue generating funds to funds required under statute or by school designation to expend the funds.

NOTE 6 – CAPITAL ASSETS

Capital asset activity of the School District's governmental activities was as follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ 6,253	\$ -	\$ -	\$ 6,253
Capital assets being depreciated:				
Land improvements	778,237	-	-	778,237
Building and building improvements	14,361,657	-	-	14,361,657
Buses and other vehicles	757,000	70,122	49,383	777,739
Furniture and equipment	<u>1,837,039</u>	<u>21,436</u>	<u>140,572</u>	<u>1,717,903</u>
Subtotal	<u>17,733,933</u>	<u>91,558</u>	<u>189,955</u>	<u>17,635,536</u>
Accumulated depreciation:				
Land improvements	353,342	34,510	-	387,852
Building and building improvements	5,281,047	294,893	-	5,575,940
Buses and other vehicles	521,795	52,204	49,383	524,616
Furniture and equipment	<u>1,566,124</u>	<u>51,741</u>	<u>140,572</u>	<u>1,477,293</u>
Subtotal	<u>7,722,308</u>	<u>433,348</u>	<u>189,955</u>	<u>7,965,701</u>
Net capital assets being depreciated	<u>10,011,625</u>	<u>(341,790)</u>	<u>-</u>	<u>9,669,835</u>
Net governmental capital assets	<u>\$ 10,017,878</u>	<u>\$ (341,790)</u>	<u>\$ -</u>	<u>\$ 9,676,088</u>

**JOHANNESBURG-LEWISTON AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to activities of the School District as follows:

Governmental activities:

Instruction	\$ 198,826
Support services	<u>234,522</u>
Total	<u>\$ 433,348</u>

NOTE 7 - LONG-TERM DEBT

The following is a summary of debt transactions of the School District for the Year ended June 30, 2008:

	Durant Debt	2004 Refunding Bond	Compensated Absences and Retirement Incentive	Total
Payable at July 1, 2007	\$ 89,291	\$ 6,135,000	\$ 159,298	\$ 6,383,589
Additions	-0-	-0-	-0-	-0-
Reductions	-0-	(590,000)	(69,025)	(659,025)
Payable at June 30, 2008	<u>\$ 89,291</u>	<u>\$ 5,545,000</u>	<u>\$ 90,273</u>	<u>\$ 5,720,564</u>

Description	Interest Rate	Maturity Year	Outstanding 6/30/08		
			Principal	Interest	Total
Durant Debt	5.20%	2005	89,291	24,534	113,825
2004 Refunding Bonds	2.00-4.00%	2016	5,545,000	981,075	6,526,075
Total			<u>\$5,634,291</u>	<u>\$1,005,609</u>	<u>\$ 6,639,900</u>

DURANT DEBT - During a previous fiscal year the district received proceeds in the amount of \$151,222 as partial resolution of litigation. The District will receive State Aid equal to the debt service cost annually. If the legislature fails to appropriate the funds, the District is under no obligation to make the payment.

Original issue - \$151,222 – School Improvement Bond, Series 1998 due in annual installments as scheduled below. The annual interest rate is 4.761343%. The final payment is due May 15, 2013.

During the 2006/07 school year the Michigan Municipal bond Authority determined that certain payments of principal and interest (those payments due May of 2007, and 2008) shall be deferred until a later date which increases the amounts due in the later years of the contract but does not increase the total number of years outstanding.

	Principal	Interest	Total		Principal	Interest	Total
				2011	9,236	1,383	10,619
2009	8,416	2,203	10,619	2012	9,676	943	10,619
2010	51,827	19,522	71,349	2013	10,136	483	10,619
				Total	<u>\$ 89,291</u>	<u>\$ 24,534</u>	<u>\$ 113,825</u>

COMPENSATED ABSENCES / RETIREMENT INCENTIVE – Compensated absences paid for unused sick leave and comp time amounted to \$45,273 and \$39,298 for 2008 and 2007 respectively. At June 30, 2008 retirement incentive payable is \$45,000 all of which is payable during the 2008/09 year.

**JOHANNESBURG-LEWISTON AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 7 - LONG-TERM DEBT (CONTINUED)

2004 REFUNDING GENERAL OBLIGATION BONDS - Original issue - \$7,195,000 – Building improvements serial bonds due in annual installments as scheduled below. Interest rates vary from 2.00% to 4.00% throughout the life of the bond issue. The final payment is due May 1, 2016.

	<u>May 1</u> <u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>May 1</u> <u>Interest</u>	<u>Nov 1</u> <u>Interest</u>	<u>Total</u>
2008		2.5-3.0		99,625	99,625
2009	610,000	3.000	99,625	90,475	800,100
2010	630,000	3.0-3.5	90,475	81,025	801,500
2011	655,000	3.500	81,025	69,562	805,587
2012	675,000	3.500	69,563	57,750	802,313
2013	700,000	3.5-4.0	57,750	45,500	803,250
2014	730,000	4.000	45,500	30,900	806,400
2015	760,000	4.000	30,900	15,700	806,600
2016	<u>785,000</u>	<u>4.000</u>	<u>15,700</u>	<u>-0-</u>	<u>800,700</u>
	<u>\$ 5,545,000</u>		<u>\$ 490,538</u>	<u>\$ 490,537</u>	<u>\$ 6,526,075</u>

Five Year Annual Debt Service for all debt, other than retirement incentives and compensated absences, combined is as follows:

Annual Debt Service Requirements:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008/09	618,416	201,453	819,869
2009/10	681,827	200,472	882,299
2010/11	664,236	163,433	827,669
2011/12	684,676	140,068	824,744
2012/13	710,136	115,983	826,119
2013-2016	<u>2,275,000</u>	<u>184,200</u>	<u>2,459,200</u>
Total	<u>\$ 5,634,291</u>	<u>\$ 1,005,609</u>	<u>\$ 6,639,900</u>

\$357,122 is available in the Debt Retirement Funds to service the general obligation bonds.

NOTE 8 - DEFINED BENEFIT PENSION PLAN

All District full-time employees participate in the Michigan Public School Employees' Retirement System, ("System"), a cost-sharing multiple-employer public employee retirement system. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

All full-time employees of the District are required by law to participate in the System. All benefits vest after 10 years of service. Basic plan members may retire at age 55 with 30 years of credited service, or at age 60 with 10 or more years of credited service. A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service or at age 60 with 5 years of service. Both basic and MIP plan members may retire at age 55 with 15 years of service and receive reduced early retirement benefits. Benefits are paid monthly over the member's or survivor's lifetime and are equal to 1.5% of the member's final average compensation times the member's years of credited service. The final average compensation period for basic members is 60 consecutive months and for MIP members is 36 consecutive months. The system also provides health, dental and vision insurance coverage for retirees.

**JOHANNESBURG-LEWISTON AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 8 - DEFINED BENEFIT PENSION PLAN – (CONTINUED)

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at various rates depending on school fiscal year compensation. Basic plan members make no contributions. The District was required to contribute 16.72% of participant's salary to the System for the fiscal year ended 6/30/07, and the State of Michigan is responsible for any further contributions necessary to keep the fund actuarially sound. The School District's contributions to the MPSERS plan for the years ended June 30, 2008, 2007, and 2006 were \$649,693, \$670,299, and \$661,192.

Post-Employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage. In prior years the State pre-funded these benefits using the entry age actuarial cost method. Retirees having this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverage. These contributions are deducted from the retiree's monthly pension. No additional contributions are required from the District on these post-employment benefits. The 16.72% noted above includes these costs.

NOTE 9 - RISK MANAGEMENT

The School District participates in the MASB-SEG Property and Casualty Pool and Workers Compensation Pool.

The MASB-SEG Property/Casualty Pool, Inc. was created on May 23, 1985 and organized under Public Act 138 of 1982 as amended, as a governmental group property and casualty self-insurance pool. Approximately 375 educational institutions within the State of Michigan participate in the Pool.

The Pool limits the maximum net loss that may arise from large risks or in concentrated areas of exposure by reinsuring certain levels of risks with other insurers or reinsurers. The Pool purchases excess liability coverage from one or more insurers or reinsurers to provide 100 percent coverage at each insured level.

NOTE 10 – SUBSEQUENT EVENT

On May 14, 2007 the Board of Education approved the annual borrowing resolution in an amount not to exceed \$500,000. The School District had not borrowed those funds as of the opinion date. The need to borrow did not exist this year, because the District has switched to a summer tax collection.

REQUIRED SUPPLEMENTARY INFORMATION

**JOHANNESBURG-LEWISTON AREA SCHOOLS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, OTHER SOURCES (USES)
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Local Sources	\$ 5,009,286	\$ 5,066,466	\$ 5,290,189	\$ 223,723
State Sources	2,222,206	2,128,605	2,054,671	(73,934)
Federal Sources	<u>251,036</u>	<u>284,331</u>	<u>285,388</u>	<u>1,057</u>
TOTAL REVENUES	<u>7,482,528</u>	<u>7,479,402</u>	<u>7,630,248</u>	<u>150,846</u>
EXPENDITURES				
Instruction:				
Basic programs	3,471,049	3,408,575	3,491,993	(83,418)
Added Needs	<u>949,035</u>	<u>934,216</u>	<u>907,259</u>	<u>26,957</u>
Support Services:				
Student Services	304,984	298,942	272,212	26,730
General Administration	249,784	249,784	255,823	(6,039)
Office of Principal	619,996	619,996	661,275	(41,279)
Business Office	121,667	121,667	126,593	(4,926)
Technology	75,000	75,000	62,734	12,266
Plant Operation and Maintenance	824,834	824,834	774,600	50,234
Transportation	622,970	622,970	592,937	30,033
Other Services	17,500	4,500	6,645	(2,145)
Capital Outlay	<u>90,200</u>	<u>106,000</u>	<u>91,558</u>	<u>14,442</u>
TOTAL EXPENDITURES	<u>7,347,019</u>	<u>7,266,484</u>	<u>7,243,629</u>	<u>22,855</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>135,509</u>	<u>212,918</u>	<u>386,619</u>	<u>173,701</u>
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	<u>(115,100)</u>	<u>(122,692)</u>	<u>(157,962)</u>	<u>(35,270)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(115,100)</u>	<u>(122,692)</u>	<u>(157,962)</u>	<u>(35,270)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	20,409	90,226	228,657	138,431
FUND BALANCES, BEGINNING OF YEAR	<u>636,646</u>	<u>610,096</u>	<u>658,943</u>	<u>48,847</u>
FUND BALANCES, END OF YEAR	<u>\$ 657,055</u>	<u>\$ 700,322</u>	<u>\$ 887,600</u>	<u>\$ 187,278</u>

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNT</u>			<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
LOCAL SOURCES				
Taxes and Penalties	\$ 4,732,118	\$ 4,732,118	\$ 4,913,193	\$ 181,075
Interest & Royalties	54,000	108,391	107,912	(479)
Miscellaneous Income	52,000	54,789	86,285	31,496
Incoming Transfers ISD	<u>171,168</u>	<u>171,168</u>	<u>182,799</u>	<u>11,631</u>
TOTAL LOCAL SOURCES	<u>5,009,286</u>	<u>5,066,466</u>	<u>5,290,189</u>	<u>223,723</u>
STATE SOURCES				
Categorical State Aid	2,219,807	2,126,206	2,052,272	(73,934)
Incoming Transfers ISD	<u>2,399</u>	<u>2,399</u>	<u>2,399</u>	<u>-</u>
TOTAL STATE SOURCES	<u>2,222,206</u>	<u>2,128,605</u>	<u>2,054,671</u>	<u>(73,934)</u>
FEDERAL SOURCES				
Title I	184,517	209,343	209,343	-
Title II A	51,319	52,654	52,654	-
Title II D Tech Literacy	1,000	1,968	1,968	-
Title V	-	2,387	2,387	-
Incoming Transfers ISD & Other	<u>14,200</u>	<u>17,979</u>	<u>19,036</u>	<u>1,057</u>
TOTAL FEDERAL SOURCES	<u>251,036</u>	<u>284,331</u>	<u>285,388</u>	<u>1,057</u>
TOTAL REVENUE & OTHER FINANCING SOURCES	<u>\$ 7,482,528</u>	<u>\$ 7,479,402</u>	<u>\$ 7,630,248</u>	<u>\$ 150,846</u>

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES, AND OTHER USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNT</u>			<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
EXPENDITURES				
INSTRUCTION				
Basic Programs:				
Elementary	\$ 1,305,231	\$ 1,430,224	\$ 1,402,061	\$ 28,163
Middle School	997,093	871,769	921,995	(50,226)
High School	1,139,025	1,076,882	1,130,537	(53,655)
Early Childhood	<u>29,700</u>	<u>29,700</u>	<u>37,400</u>	<u>(7,700)</u>
Total Basic Programs	<u>3,471,049</u>	<u>3,408,575</u>	<u>3,491,993</u>	<u>(83,418)</u>
Added Needs:				
Special Education	362,790	337,136	327,139	9,997
Title I	249,516	250,899	247,529	3,370
At Risk	288,607	292,094	279,316	12,778
Vocational Education	<u>48,122</u>	<u>54,087</u>	<u>53,275</u>	<u>812</u>
Total Added Needs	<u>949,035</u>	<u>934,216</u>	<u>907,259</u>	<u>26,957</u>
TOTAL INSTRUCTION	<u>4,420,084</u>	<u>4,342,791</u>	<u>4,399,252</u>	<u>(56,461)</u>
SUPPORTING SERVICES				
Student Services:				
Guidance Services	86,994	88,037	89,489	(1,452)
Other Services	22,500	15,415	4,569	10,846
Library	190,490	190,490	176,347	14,143
Computers & Technology	<u>5,000</u>	<u>5,000</u>	<u>1,807</u>	<u>3,193</u>
Total Student Services	<u>304,984</u>	<u>298,942</u>	<u>272,212</u>	<u>26,730</u>
General Administration:				
Board of Education	67,350	67,350	76,452	(9,102)
Executive Administration	<u>182,434</u>	<u>182,434</u>	<u>179,371</u>	<u>3,063</u>
Total General Administration	<u>249,784</u>	<u>249,784</u>	<u>255,823</u>	<u>(6,039)</u>

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES, AND OTHER USES
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNT</u>			<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
INSTRUCTION (CONTINUED)				
School Administration				
Office of Principal	\$ 619,996	\$ 619,996	\$ 661,275	\$ (41,279)
Business Office	<u>121,667</u>	<u>121,667</u>	<u>126,593</u>	<u>(4,926)</u>
Total School Administration	<u>741,663</u>	<u>741,663</u>	<u>787,868</u>	<u>(46,205)</u>
Technology	75,000	75,000	62,734	12,266
Plant Operation and Maintenance	824,834	824,834	774,600	50,234
Pupil Transportation	622,970	622,970	592,937	30,033
Other Services	17,500	4,500	6,645	(2,145)
Capital Outlay	<u>90,200</u>	<u>106,000</u>	<u>91,558</u>	<u>14,442</u>
TOTAL SUPPORTING SERVICES	<u>2,926,935</u>	<u>2,923,693</u>	<u>2,844,377</u>	<u>79,316</u>
OUTGOING TRANSFERS				
Food Service Fund	15,100	-	28,270	(28,270)
Athletics Fund	<u>100,000</u>	<u>122,692</u>	<u>129,692</u>	<u>(7,000)</u>
TOTAL OUTGOING TRANSFERS	<u>115,100</u>	<u>122,692</u>	<u>157,962</u>	<u>(35,270)</u>
TOTAL EXPENDITURES AND TRANSFERS OUT	<u>\$ 7,462,119</u>	<u>\$ 7,389,176</u>	<u>\$ 7,401,591</u>	<u>\$ (12,415)</u>

See Notes to Financial Statements

OTHER SUPPLEMENTARY INFORMATION

**JOHANNESBURG-LEWISTON AREA SCHOOLS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>SPECIAL REVENUE FUNDS</u>			
	<u>ATHLETIC FUND</u>	<u>FOOD SERVICE FUND</u>	<u>DURANT DEBT FUND</u>	<u>TOTAL</u>
ASSETS				
Cash	\$ 841	\$ 2,814	\$ -	\$ 3,655
Receivables				
Taxes	-	-	-	-
Due From Other Governments	-	2,449	-	2,449
Inventory	-	3,884	-	3,884
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 841</u>	<u>\$ 9,147</u>	<u>\$ -</u>	<u>\$ 9,988</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	4	8,883	-	8,887
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>4</u>	<u>8,883</u>	<u>-</u>	<u>8,887</u>
FUND BALANCE				
Reserved	-	-	-	-
Unreserved	837	264	-	1,101
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>837</u>	<u>264</u>	<u>-</u>	<u>1,101</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 841</u>	<u>\$ 9,147</u>	<u>\$ -</u>	<u>\$ 9,988</u>

See Notes to Financial Statements

JOHANNESBURG-LEWISTON AREA SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>SPECIAL REVENUE FUNDS</u>			
	<u>ATHLETIC FUND</u>	<u>FOOD SERVICE FUND</u>	<u>DURANT DEBT FUND</u>	<u>TOTAL</u>
REVENUES				
Local Sources	\$ 34,939	\$ 99,344	\$ -	\$ 134,283
Interest	653	-	-	653
State Sources	-	11,217	-	11,217
Federal Sources	-	245,103	-	245,103
	<u>35,592</u>	<u>355,664</u>	<u>-</u>	<u>391,256</u>
TOTAL REVENUES				
EXPENDITURES				
Athletics	165,313	-	-	165,313
Food Service	-	386,736	-	386,736
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>165,313</u>	<u>386,736</u>	<u>-</u>	<u>552,049</u>
TOTAL EXPENDITURES				
REVENUES OVER (UNDER) EXPENDITURES	<u>(129,721)</u>	<u>(31,072)</u>	<u>-</u>	<u>(160,793)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>129,692</u>	<u>28,270</u>	<u>-</u>	<u>157,962</u>
	<u>129,692</u>	<u>28,270</u>	<u>-</u>	<u>157,962</u>
TOTAL OTHER FINANCING SOURCES (USES)				
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(29)	(2,802)	-	(2,831)
FUND BALANCES, BEGINNING OF YEAR	<u>866</u>	<u>3,066</u>	<u>-</u>	<u>3,932</u>
FUND BALANCES, END OF YEAR	<u>\$ 837</u>	<u>\$ 264</u>	<u>\$ -</u>	<u>\$ 1,101</u>

See Notes to Financial Statements



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

October 8, 2008

Board of Education
Johannesburg-Lewiston Area Schools
Johannesburg, Michigan 49751

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Johannesburg-Lewiston Area Schools as of and for the year ended June 30, 2008, which collectively comprise the Johannesburg-Lewiston Area Schools' basic financial statements and have issued my report thereon dated October 8, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Johannesburg-Lewiston Area Schools' internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of Johannesburg-Lewiston Area Schools' internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Johannesburg-Lewiston Area Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Johannesburg-Lewiston Area Schools' financial statements that is more than inconsequential will not be prevented or detected by Johannesburg-Lewiston Area Schools' internal control. I consider the following deficiency to be a significant deficiency in internal control over financial reporting.

Establishment and maintenance of internal control over the financial reporting process as defined by Statement on Auditing Standards Number 112 requires management to prepare annual financial statements in accordance with GASB Statement Number 34. The District's auditor prepares these statements.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Johannesburg-Lewiston Area Schools' internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Johannesburg-Lewiston Area Schools' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

I noted certain immaterial instances of noncompliance that I reported to management of Johannesburg-Lewiston Area Schools in a separate letter dated October 8, 2008.

This report is intended solely for the information and use of management, federal awarding agencies, pass-through entities, the Michigan Department of Education, and Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.



THOMAS R. ZICK CPA, P.C.
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REPORT TO MANAGEMENT / BOARD OF EDUCATION

October 8, 2008

Board of Education
Johannesburg-Lewiston Area Schools
Johannesburg, Michigan 49751

I have audited the basic financial statements of Johannesburg-Lewiston Area Schools, Johannesburg, Michigan, for the year ended June 30, 2008, and have issued my report thereon dated October 8, 2008. My report is unqualified. Professional standards require that I provide you with the following information related to my audit.

My Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. Generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

In planning and performing my audit, I considered Johannesburg-Lewiston Area Schools' internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. I also considered internal control over compliance with requirements that could have a direct and material effect on the financial statements.

As part of obtaining reasonable assurance about whether Johannesburg-Lewiston Area Schools' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit. While my audit provides a reasonable basis for my opinion, it does not provide a legal determination of Johannesburg-Lewiston Area Schools' compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Johannesburg-Lewiston Area Schools are described in Note 1 to the financial statements. I noted no transactions entered into by Johannesburg-Lewiston Area Schools during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Some accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience and past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. My conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Johannesburg-Lewiston Area Schools' financial reporting process (that is, cause future financial statements to be materially misstated). All of the adjustments, I proposed, have been recorded by Johannesburg-Lewiston Area Schools.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the course of my audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Johannesburg-Lewiston Area Schools' financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultant has all of the relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Johannesburg-Lewiston Area Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Comments and Recommendations

The following is a summary of my observations with suggestions for improvements I believe should be brought to your attention.

BUDGETS

The School District is required under Public Act 621 of 1978 to adopt (pass) a budget (General Appropriations Act) for the General Fund and Individual Special Revenue Funds. The District complied in all areas except the following expenditure areas which exceeded budgeted amounts:

<u>Fund/Function</u>	<u>Total Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund			
Instruction	\$ 4,342,791	\$ 4,399,252	\$ (56,461)
Transfers Out	\$ 122,692	\$ 157,962	\$ (35,270)
Special Revenue Fund:			
Athletics	\$ 137,329	\$ 165,313	\$ (27,984)
Food Service	\$ 365,000	\$ 386,736	\$ (21,736)

The General Fund spent \$12,415 more than budgeted in total.

STUDENT ACTIVITY / FIDUCIARY ACCOUNTS

Expenses are still being paid out of a student activity account which should be expenditures of the district general fund. All disbursements from this fund should be for activity items only and not expenditures which should be classified in one of the district's funds. During the year a small federal grant from the ESD was deposited and spent in the activity funds. This is a repeat comment.

PROPERTY TAX REVENUE / STATE AID

The present system for assuring that each school district gets its entire foundation allowance (which is a combination of property taxes and State Aid) is, in my opinion, flawed. With all of the Tax Tribunal adjustments, Board of Review adjustments and homestead/non-homestead adjustments it is very important that each district reconcile taxable values, as reported on the Michigan Department of Education website, monthly.

Changes that occur on the web site are postings made by the county treasurers. These changes are then posted to your State Aid Status Report which directly affects the State Aid funds received each month. Reconciling those changes monthly is important.

The best approach is to print the MDE taxable value data each month and then agree any changes in these reports to page two of your monthly status report.

BANK ACCOUNT / FDIC INSURANCE

In today's economic environment it is critical to frequently assess the bank account balances and assure that all accounts are insured where possible. It may be prudent to take a slightly lower return on an account in exchange for the depository insurance coverage. With FDIC coverage increased to \$250,000 now, it will be easier to spread the funds in order to maximize coverage.

This report is intended solely for the information and use of the Johannesburg-Lewiston Area Schools management, Board of Education, the Michigan Departments of Treasury and Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



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